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ABSTRACT

This document, which is designed to help state administrators and legislators formulate policies enhancing family economic security, summarizes research findings regarding barriers to economic self-sufficiency and policies used by various states to improve poor family's available work opportunities and economic security. Discussed in the document's three sections are the following: barriers to employment and self-sufficiency (lack of health care coverage; lack of affordable, available, and reliable child care; lack of education and job skills needed for employment; lack of jobs with adequate income); state choices for improving work opportunities (providing health care coverage, maximizing child care resources, meeting the work participation requirement, opting out of required community service participation, providing assistance beyond block grant time limits, setting aside additional funds in carry-over accounts); and state choices that increase income and assets (disregarding earnings in determining benefit levels, using asset allowances in determining eligibility). Appended are facts about poor families and public assistance and experiences of past welfare-to-work programs and a 13-item list of resources about additional provisions in the new welfare law. The document contains 41 references and fact sheets on welfare-to-work issues and 20 questions for assessing block grant-funded state welfare programs' impact on families' economic viability. (MN)

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REALITIES AND CHOICES:

Helping States Enhance Family Economic Security

Sandra Venner

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FOREWORD

The new welfare legislation signed into law by President Clinton ended the nation's longstanding commitment to provide cash assistance to eligible poor children and their families. Elimination of entitlement status from the primary cash assistance program (AFDC), and the flexibility and prerogatives given to states under the new law, dramatically change the nation's approach to aiding poor families. At the heart of these changes is an increased focus on work to promote greater independence from government assistance.

This new federal welfare law is imperfect and ultimately may provide states with neither the proper incentives nor necessary supports to help families move from welfare to work on a permanent basis. Despite this, alternatives to these changes are not likely to return to the nation's policy agenda in the near future. For the present, the energy and creativity of those concerned about the well-being of poor people must be focused on helping states design and implement effective and humane state-level welfare programs under the new law. State governments and program administrators are now faced with a multitude of options under the newly "devolved" welfare law. Choices and decisions made at the state level over the next year will determine, in aggregate, the fundamental character of the nation's welfare program for the foreseeable future.

On the positive side, the greatly expanded flexibility under the new welfare law provides states choices which could significantly increase the economic security of many working poor families whose efforts were sometimes thwarted under AFDC. In exercising this newly obtained flexibility to design state welfare programs, state policy makers have considerable potential for either improving or worsening the situations of poor families in their states.

Beyond helping the poorest families through the new welfare law, states also need to consider policies to help provide working poor families with a greater amount of economic security. These families, often overlooked by policy makers, may be working part-time or full-time but still lacking health insurance, adequate child care and enough income to meet their needs. Providing health insurance and expanding the Earned Income Tax Credit are two ways to help working families (many of whom may be former welfare recipients.)

It is critical at this time that states have access to information as they make important policy decisions. This document describes how some states have chosen to remove barriers which impede family income security. Such choices reflect state decisions to help poor families rather than punish them. The information in this document can assist states in creating policies to improve the economic well-being of poor families.

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INTRODUCTION

Realities and Choices summarizes research findings which will aid states in designing programs to provide poor families with cash assistance and supports to increase family economic security. It provides guidance to state administrators and legislators who wish to create new welfare programs that aid in the attainment of economic stability as families transition to self-sufficiency.

The Personal Responsibility and Work Opportunity Act of 1996 (new federal welfare law) created the Temporary Assistance for Needy Families (TANF) Block Grant. It replaces the federal Aid to Families of Dependent Children (AFDC), Emergency Assistance, and Job Opportunities and Basic Skills (JOBS) programs. By July 1, 1997 each state must be ready to implement its own program to replace these federal entitlement programs.

Although the new welfare law ends the federal entitlement to cash assistance for poor families, it does give states options which allow them to create their own program to promote family economic security. States can choose to maximize federal funds and to create policies which will enhance work opportunity. Where limits are placed on the use of federal funds, states can provide benefits at state expense. The new law also allows states to create policies to assist in the transition to work such as more generous treatment of earnings, increased asset allowance, provision of child care subsidies, and extension of health care coverage.

The strictest provisions of TANF relate to the work participation rate requirement which calls for a progressive percentage of the caseload to participate in a work activity for an increasing number of hours. Failure by a state to achieve the specified work participation rate will result in a reduction in federal block grant funding for the state.

Over 40 states have already submitted their plans for utilization of the TANF Block Grant for U.S. Department of Health and Human Services (HHS) under the new law. Many state plans submitted to date contain few details on program components other than how the state will address the work participation requirement. Some state plans simply call for a continuance of what the state is currently doing, including provisions previously initiated through waivers granted by the Department of Health and Human Services. Some state administrators have noted that they intend to amend their state plan for the use of TANF funds after they have time to further consider their options and the implications.

The choices state administrators and legislators make in designing their new state welfare programs to transition families from welfare to work will have a great impact on the lives of poor children and their families. To weigh these choices the relevant facts must be examined to assess the outcomes that can be anticipated as a result of these new programs. This document lays forth the facts and corresponding decisions states must make to create work opportunities and increase the income and assets of poor families. (See Appendix B for a resource list of documents that address additional provisions in the new welfare law that will also affect the economic security of poor families.)

BARRIERS TO EMPLOYMENT AND SELF-SUFFICIENCY

Families who seek public cash assistance follow different patterns. Some use welfare for relatively short periods of time and never return. Others cycle on and off, but do not continuously receive cash assistance for extended periods. Just over one-quarter of the cases nationwide have been on AFDC continuously for more than four years. (30)

Nationally, 60% of the women who left AFDC for work did so within a year after beginning to receive benefits. However, 40% of the women who left welfare for work returned to the welfare system within one year, and by the end of five years, about 75% of the women had returned. According to this 1993 report, the main reasons for returning to welfare were lack of health care, a breakdown in child care, low wages, and temporary jobs. (20) A study of women in the San Francisco Bay area found that, without health insurance and child care, leaving welfare for work would require these women to make untenable family choices. (12)

Under the new welfare law, over one million parents will be required to find employment nationwide in the next five years. If this is to become a reality, a state's welfare policy must be prepared to overcome several critical barriers to employment.

Lack of Health Care Coverage

In recent years, some families have turned to welfare as the only means to secure health care coverage. Congressional Budget Office data indicate that only 9% of workers hired at $5 per hour or less received immediate health care coverage from their employers. While 45% were left with no coverage at all, 46% received coverage through a spouse. Of those still working at the same place a year later, nearly one-third remained uninsured. (11)

- According to a 1995 New Hampshire state report, the majority of AFDC applicants and recipients have never had medical insurance provided through an employer. Nearly 60% of those surveyed reported that medical insurance was a reason for needing assistance - the reason most frequently cited among a list of 12 reasons. (27)

- Officials in Minnesota estimate that the creation of the MinnesotaCare health care coverage plan reduced the AFDC caseload by 7% or about 13,700 fewer recipients by early 1996. (26)

Lack of Affordable Child Care

The cost of child care exceeds the amount of cash assistance provided to parents in many states, especially if there is an infant or more than one young child in the home. The cost of child care also may exceed what a parent can earn in a job paying at or slightly above the minimum wage.

- The cost of providing child care for a child under 2 in a day care center is 114% of the monthly AFDC grant for a family of two in Iowa; for Colorado the percentage is 168% of the monthly AFDC grant. Even the cost of unlicensed family day care exceeds the monthly AFDC grant for a family of two (129%) in Colorado while in Iowa it represents 93% of cash assistance. (30)

- It is estimated that for 40% of the AFDC families in Wisconsin who will be subject to the work requirements of Wisconsin Works (W-2), child care costs could amount to more than half of their earnings at a wage of $6 per hour. And for 10% of the caseload, child care costs could amount to more than their total earnings at $6 per hour. (5)

- Nearly all of the participants in California's GAIN program (job training and employment assistance) used subsidies to pay for their child care costs but after they left the program due to employment only 40% received child care subsidies. (16)

- *Working poor* families (below poverty level) who pay for child care spend 33% of their income for it; for *working class* families (between the poverty level and $25,000) child care costs account for 13% of their income. (34) Nationally, all families pay an average of 7% of their income for child care. (1)

Lack of Available and Reliable Child Care

In many areas in the country the demand for child care exceeds the availability. With so many parents of young children required to enter the labor market under the new welfare law, the availability of child care may be a serious obstacle. Obtaining child care will be further hindered by the hours of the jobs where they are likely to find employment. Currently, one-third of working poor mothers work weekends; and one-half of working poor parents have rotating or changing work schedules which cause serious difficulties in accessing quality child care (usually not available at odd hours or weekends.) (15)

- Texas has maintained a waiting list of 40,000 poor children for day care. California has maintained a waiting list of 225,000 poor children; low-income working mothers there have waited as long as two years to receive a child care subsidy for a toddler, and as long as one year for an infant. (40)

- A study of 207 families in Illinois leaving welfare due to employment, found that nearly three-quarters were working irregular hours. (25)

- Mothers participating the California's GAIN program who were worried about the safety of their children and did not trust their child care provider were twice as likely to drop out of the job-training program as mothers who were satisfied with their child care. (1)

- A survey of AFDC recipients in Maine found that 31% of those who had left a previous job did so because of child care difficulties. (24)

Lack of Education and Job Skills Needed for Employment

Under the new welfare law, more than one million parents will be required to find jobs. A 1989 U.S. House Committee on Ways and Means' report showed that nearly half of the AFDC adult recipients had not finished high school; slightly more than two-fifths had finished high school but had no further education; and fewer than one in 10 had any education beyond high school. (35) The skill level of adults with limited education does not match up well with the job opportunities of the future.

- Three-quarters of the net jobs created between 1989 and 1995 were managerial and professional according to a June study by the Bureau of Labor Statistics. (33)

- Less-skilled men and women experience almost five times as much unemployment as college-educated men and women. (9) Employment projections show that half of all jobs by the year 2000 will require some sort of a college degree. (17)

- A 1993 study for the Ford Foundation of AFDC recipients/students in five states found that those who had any higher education had an increased capacity to hold a job and that the vast majority who earned degrees became financially independent. In Illinois and Tennessee, 85% of the post-secondary graduates were no longer receiving AFDC and the remaining 15% were either recently unemployed or caring for very young children. (17)

Lack of Jobs With Adequate Income

The availability of entry level jobs is critical, as these are the jobs most frequently obtained by welfare recipients who typically have less formal education, less recent labor market experience, and fewer job skills than the currently employed. Yet this type of employment commonly is not steady or full-time and pays less than a livable wage, leaving those seeking

to move from welfare to work unable to become totally self-sufficient. Also, in both rural and urban areas, potential workers may not live where there are the most job openings, and often lack the necessary transportation to get to a potential job.

- In the Milwaukee metropolitan area approximately 70% of the new jobs created between 1970 and 1990 were located outside the city limits where a majority of the potential AFDC workforce lives. Only 5% of all AFDC families there own a car and public transportation to outlying areas is fragmented and time consuming. (38)

- In inner city Milwaukee, 18,000 unemployed AFDC recipients are expected to move into the workforce joining 9,000 current job seekers in an area where employers report about 2,000 full-time job openings. (32)

- In New York City, there are 3.3 million existing jobs with an annual net gain of 88,000 jobs in a healthy economy. At this rate of job growth, if every job gained by the local economy were given to a New Yorker now on welfare, it would take 21 years for all 470,000 adult welfare recipients to be absorbed into the economy. (13)

- A 1995 Columbia University study found that in central Harlem, for every person hired in fast-food jobs, 14 applicants were turned away. Although many rejected applicants had high school diplomas and prior work experience, 73% had not found work of any kind a year later. (29)

- According to the Illinois Jobs Gap Project, there are four workers in need of entry-level jobs for every such job opening in the state; in Chicago the ratio is six to one. (6)

- At any given time, 55% of available jobs in Minnesota are in the retail and service sectors. The median weekly wage for retail jobs is $145 and for service jobs the median wage is $246 per week. (39)

- In the early 1990's, only 19% of all available jobs in Minnesota required less than a year of training beyond high school and paid livable wages (defined as $409/week to support a family); the unemployed outnumbered these jobs 31 to 1. (10)

STATE CHOICES FOR WORK OPPORTUNITY

Although the TANF Block Grant includes several requirements, states are given latitude to determine the provisions to include in their welfare program. The states can exercise the choice to create a welfare program which will help to increase the economic security of poor families and children, especially if the state is willing to spend its own funds. While a state plan must document how the state will meet the work participation rate requirement, there is the option to include positive incentives and opportunities rather than negative sanctions to achieve this. Although the majority of states have already submitted their plans, it is anticipated that states will adjust their welfare programs as additional factors and their consequences are more fully understood.

Provision of Health Care Coverage

Federal law still requires that families leaving cash assistance due to increased earnings continue to be eligible for Medicaid for the 12 months if they have no other health care coverage. Recognizing that many parents who successfully move from welfare to work will be lacking health care coverage for their families even longer than the 12 months already provided, several states developed programs which provide additional coverage for uninsured low-income families.

State Experiences Under Waivers

- If a employer does not provide health insurance coverage for employees leaving welfare in Minnesota, Medicaid will continue for the family for 12 months. These families, along with the other working poor, are eligible for MinnesotaCare (subsidized health insurance) for as long as their income remains below 275% of the federal poverty guidelines. (7)

- The Oregon Health Plan ensures that all adults living below the poverty level, and all children below 200% of the federal poverty level, have health care benefits. (41)

- In Vermont transitional Medicaid benefits are available for up to 36 months after termination of cash assistance due to earnings. (8)

Maximizing Child Care Resources

Under the new welfare law, states can maximize child care resources by exempting single parents with children under age one from the work requirement, thereby saving on the more

costly and scare care for infants. When there is a shortage of child care resources matching the needs of single parents of children under six seeking work, states are required to exempt the family from the work requirement. Currently, more than half of the families receiving aid have a child under the age of six -- one out of ten have a baby under a year old. (9)

To receive its full share of new federal dollars in the Child Care and Development Block Grant, a state must maintain 100% of its current investment in child care and provide additional matching funds for new child care dollars. A state can use these resources to fully subsidize child care for parents involved in "work activities"; provide transitional child care on a sliding fee basis for families no longer receiving cash assistance due to increased earnings; and assist other working poor parents with child care costs. *Providing this transitional assistance will increase initial costs for the state but will help ensure that families successfully transition to full self-sufficiency.*

State Experiences Under Waivers

- Under Vermont's Welfare Restructuring Project, transitional state funded child care subsidies are provided for 12 months or longer on a sliding fee scale as long as the family's income qualifies and state funds are sufficient. (8)

- In the Utah Single Parent Employment Program (SPEP) child care is available indefinitely on a sliding fee scale for families whose cash benefits have ended due to earned income over the eligibility level. (41)

- Ten months after Utah's SPEP program was implemented as a demonstration, cash assistance payments in one office were 29% lower while child care payments were 78% higher, thus reducing the overall savings. (30)

- Due to increased earnings, the average AFDC grant is down for the 750,000 Illinois recipients resulting in costs reduction of almost $10 million in 1995 for the state. Despite this reduction, savings have been offset by increased child care expenditures. (41)

Cost of Meeting the Work Participation Rate Requirements

Under the new welfare law, if the state has an approved waiver that includes a mix of work and training to satisfy work requirements, and its existing law is inconsistent with the new federal law, the state can continue the work requirement in effect under their state law rather than the work requirement imposed by TANF. States that have this option may want to exercise it as the new work participation rate requirement far exceeds the requirement and achievements under many prior welfare-to-work programs. (See Appendix A for more information on poor families and past work programs.)

If the state does not meet the overall work participation rate requirement, the TANF Block Grant will be cut 5% in the first year and up to 21% in the ninth year. Some state officials may find themselves weighing whether to let the state be subject to the penalty for not meeting the work requirement is less costly than the measures necessary to place so many families in a work environment.

Even if a state does not expand its work programs to meet the greatly increased demand for case management and other job placement-related services, it may experience future funding shortfalls due to frozen federal funding levels. If all states maintain their FY'94 level of spending for work programs, the Congressional Budget Office estimates that over the next six years states will be roughly $13 billion short of the dollars necessary to maintain the programs at their current level. (36)

State Experience Under Old and New Welfare Law

- The new law requires that 25% of all families receiving benefits are engaged in work activity in FY'97, increasing to 50% by the year 2002. In 1994, by comparison, only 13% of all families receiving aid included an adult participating in the JOBS program. (36) Approximately 20% of all families were engaged in some work activity. (36)

- Average monthly participation in California's GAIN program was 78,000 people and an average of 10% of them were placed in jobs each month. In FY'92, 22% of all adults on AFDC participated in GAIN, but only 12% were "countable", i.e. participated in any program activity for 20 hours per week. (16) It is estimated that the increased work participation requirements in the new welfare law will cost California an additional $400 - 500 million in the year 2002. (37)

- In a Wisconsin pilot program, expenditures for benefits in one rural county were reduced by more than half (due to increased allowed earnings and decreased rolls) while overhead costs rose almost ten fold from 1994 to 1996, thus demonstrating the high administrative and support costs of work-oriented reform programs. (2)

- If only 100,000 of New York City's 470,000 adults who currently receive welfare eventually go to work, the cost of child care and administering the workfare program would be $950 million a year, according to city and state estimates. (14)

Opting Out of Required Community Service Participation

It would also take a great increased "investment" to provide a community service job for every parent entering welfare, except those whom the state has exempted from the work requirement. States can opt out of the requirement to provide community service jobs for all parents after they have received two months of cash assistance. Exercising this option could

save scarce work opportunities, support services, and child care dollars for programs more likely to result in permanent employment.

State Experiences Under Old Welfare Law and Waivers

- Only 7% of all JOBS participants nationwide participated in any unpaid work experience (including community service) in 1991. (30) & (3) A Government Accounting Office survey of program administrators found that inadequate resources and staffing were thought to be the principal barriers to expanding such programs. (36)

- Under Massachusetts' new welfare law, all able-bodied recipients with school-age children must begin work or community service after 60 days. A year into the program 21% of the caseload was either working or performing community service, the latter constituting only about 5% of the caseload. (18)

Assistance Beyond TANF Block Grant Time Limits

It is estimated that for one-quarter to one-third of the current AFDC population it will be very difficult to achieve full self-sufficiency primarily due to a personal disability or the need to care for a disabled dependent. States can exempt up to 20% of the families who reach the 60 month lifetime limit for benefits under the federal block grant. States are not prohibited from using their own funds to provide full or partial cash assistance to additional families beyond the 60 month lifetime limit. Social Services Block Grant funds can also be used to provide voucher payments for basic necessities for poor families losing cash assistance due to the 60 month lifetime limit.

State Experience Under Waivers

- In July 1996, Utah imposed a 36 month lifetime limit for AFDC parents but months in which there has been at least 80 hours of earned income are excluded. Only 15% of the caseload is exempted from the time-limit but this percentage increases if unemployment goes above 6%. (41)

- In Massachusetts recipients are subject to a 24 month limit, but can requalify after being off assistance for 36 months. However, a family is exempt from the time limit if it has a disabled child, the caretaker is disabled, or the family's youngest child is under age two. It is estimated that these exemptions constitute 45% of the caseload. (21)

Setting Aside Additional Funds in Carry Over Accounts

In FY'97 almost every state will receive more federal funds through the TANF block grant than the state could anticipate receiving prior to the replacement of the entitlement programs with the block grant. For some states these additional funds may continue for several years. States are allowed to save unexpended funds for future years. These funds may be necessary as federal funding levels remain flat, the demands of meeting the work participation rate increases costs, and periods of economic down turn increase the number of applicants.

There is a provision making states eligible for federal contingency funds if unemployment exceeds 6.5% for a three month period or Food Stamp participation increases by 10% over the FY '94-'95 level and the state has maintained 100% of its historic state spending during the year in which contingency funds are sought. This fund may be insufficient if there is a national recession. Therefore, some states are considering setting aside carry-over funds to use in periods where there is both a greater demand for services and inadequate federal dollars. It also may be hard for a state to maintain its level of state funds when a poor economy causes a reduction in state revenues along with an increase in those needing temporary cash assistance.

STATE CHOICES THAT INCREASE INCOME AND ASSETS

Disregard of Earnings in Determining Benefit Levels

Through the HHS waiver process, many states received authorization to alter their AFDC program to allow a greater earned income, while the family retained eligibility for at least partial cash assistance. The dual intent is to encourage work and to provide more family income. Through a combination of their own earnings and cash assistance, families are lifted above the poverty level before direct welfare assistance is totally discontinued.

State Experiences Under Waivers

- In the Illinois Work Pays program, only one-third of a welfare recipient's earned income is deducted from the AFDC payment, until the level of outside income exceeds the official poverty level for the family size. Thus, for every $3 earned, cash assistance is reduced by only $1. (41)

- To make work pay in Utah, the first $100 and 50% of the remaining earned income is disregarded. Therefore, a family of three with a maximum monthly grant of $426 could earn up to $952 per month without completely going off assistance. (7)

- When determining the amount of cash assistance a family will receive in the Minnesota pilot, 38% of gross earned income is disregarded to cover taxes and other work-related expenses and to reward the earning of income. Non-disregarded earnings (the remaining 62%) are subtracted from an amount equal to 120% of AFDC plus the full cash value of Food Stamps to determine the amount of the cash assistance grant. Cash assistance is not discontinued entirely until a family's income exceeds 145% of the federal poverty level. (41)

- Iowa's Work Transition Period disregards all earnings in the first four months of new employment, if the recipient made less than $1,200 in the previous 12 months. After the first four months and for recipients who made $1,200 or more, 20% of earned income is disregarded as a *work expense deduction* and 50% of the remaining earned income is disregarded as a *work incentive*. (7)

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RESULTS OF EARNING DISREGARDS EXPERIMENTS

More generous disregard of income in determining cash assistance benefit levels has allowed many families to experience greater economic security. Although some of the increase in reported employment under new welfare reform programs may reflect prior unreported earnings used to supplement AFDC payments, real employment has increased without the use of negative sanctions in many states perhaps as a result of policies designed to enhance earnings rather than punish families.

- In September 1992, 15.7% of the AFDC caseload in Michigan reported earned income of $396 per month on average. Two and half years after the institution of more generous earned income disregards the percentage nearly doubled (29.4%) with average monthly earnings of $443. (31)

- The percentage of AFDC recipients reporting earnings has tripled in the two and one-half years the Illinois Work Pays program has been in effect. During the two year period from November 1993 to December 1995, 52,000 clients reportedly left welfare because of employment; 27,000 in 1995 alone. (41)

- Twice as many single parents who were current recipients of cash assistance reported employment after six months in Minnesota's Family Investment Plan as compared to the control group. (23)

- After six months single parents newly applying for cash assistance through Minnesota's Family Investment Plan reported being employed two and one-half times more frequently than the control group. (23)

- Between June 1994 and March 1996, the number of employed Vermont AFDC parents increased by 23% and their average monthly earnings increased by 30% under the new welfare program. (41)

Asset Allowance for Determining Eligibility and Benefits Level

Through the HHS waiver process, some states opted to relax the limits on allowable assets such as vehicles, business equipment, and real estate thus leaving recipients with more assets and, thus, the means to earn a living.

State Experiences Under Waivers

- Oregon sets a limit of $10,000 for household assets and allows $9,000 equity in a vehicle. (41) Many states have received waivers such increased asset allowances.

- Minnesota takes an even more comprehensive approach. Items exempted from a family's total assets include their home; motor vehicle(s) to a total equity value of $4,500 or the entire value of vehicles determined necessary for the operation of a self-employment business; personal property needed to produce earned income; and items essential for daily living. (41)

CONCLUSION

The choices made by state policy makers in the design of their state's new welfare program will greatly influence the degree of success families will encounter in achieving long-term self sufficiency. This document is intended to aid state administrators and legislators in making wise policy decisions that will both maximize scarce resources over the long-term and achieve the goal of improving the economic well-being of families rather than simply reducing the welfare rolls. The facts about health insurance availability, child care costs, and job opportunities documented through research can help guide a state as it exercises its options under the new welfare law.

States will also need to look beyond cash assistance and job programs to policies that can *continue* to increase family economic security after families transition from welfare to work. For working poor families who have recently left welfare, and for those families who hover on the brink of needing assistance, other programs can help ensure that they stay off welfare.

Many states have joined the federal government in instituting the Earned Income Tax Credit (EITC). This allows low income wage earners to keep more of their income after taxes. Some states are also considering lowering the unemployment compensation eligibility requirements so those who are only able to obtain low paying cyclical or temporary jobs are eligible for unemployment compensation between jobs so it will not be necessary to apply for TANF benefits. States can also assure that the working poor remain off of welfare, if, in addition to programs which subsidize the cost of health care and child care, there is also assistance with housing in areas where these costs are a substantial portion of earnings.

It is clear that a strong commitment to provide economic security for *all families* is necessary as state policymakers grapple with decisions related to welfare and beyond.

APPENDIX A

POOR FAMILIES: WORK AND PUBLIC ASSISTANCE

Most poor parents work but their earned income alone is not enough to raise their children out of poverty in many incidents.

- The National Center for Children in Poverty reports that in 1994 about 62% of poor children under age 6 lived with a family member who worked part time or full time. Less than a third of the families of the 6.1 million poor young children in this country relied solely on public assistance. (28)

- A national study of 500 AFDC recipient mothers found that more than 40% combined paid employment with receipt of AFDC (working approximately the same number of hours as all working mothers) during the two year survey period. Yet, even with additional assistance from family members, their families spent almost 16 of the 24 months in poverty. (22)

- A study conducted by the California Budget Project found that 60% of poor California families with children include at least one adult who has held a job in the previous year. 83% of total income comes from wages for these working poor families with children. (4)

- A family member is earning an income in 70% of Maine's poor families in which the head is not elderly or disabled. Half of the families with no working member are headed by single parents with children under age six. (24)

EXPERIENCES OF PAST WELFARE-TO-WORK PROGRAMS

The Family Support Act (FSA) of 1988 constituted the most comprehensive reform of national welfare policy since the late 1960's. The FSA required all able-bodied AFDC recipients without children under age three to participate in education, job search, or job training. States were required to set up Job Opportunities and Basic Skills (JOBS) training programs for AFDC recipients. Within the general parameters of the JOBS program, state had considerable flexibility to design programs that best met the needs of their families. The stated goal of the JOBS program was to "assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence." (35) The Manpower Demonstration Research Corporation (MDRC) conducted several studies measuring the effects of JOBS programs on AFDC families.

- When comparing a control group of AFDC recipients with participants in JOBS activities, a MDRC study found that the most job-ready recipients will find employment even without the assistance of the employment programs. (35)

- For moderately job-ready recipients, the employment programs led to modest but significant increases in employment and earnings and those effects continued over time. (35)

- The employment programs studied by MDRC were least effective in increasing the earnings of those who were the least job-ready - those who had not worked at all in the prior year or who had been on AFDC for more than two years. Low intensity services such as job search assistance and workfare appear to have been insufficient to enable these recipients to overcome the barriers and find employment. (35)

- Almost all the welfare-to-work programs included in a more extensive study by MDRC led to earnings gains by recipients. Including higher-cost, more intensive components - such as basic and longer-term education or occupational skills training - to job search and work experience led to larger absolute earnings gains per person. These broad-coverage programs demonstrated earnings 11% to 43% above the annual earnings of people in the control group. (19) & (35)

- While welfare-to-work programs increased employment rates, number of hours worked and duration of employment, they usually did not get people higher-paying jobs than people who did not participate in the job program. (19)

APPENDIX B

ADDITIONAL PROVISIONS IN THE NEW WELFARE LAW: A RESOURCE LIST

Legal Immigrants

States' Initial Decisions About Providing Cash Assistance to Legal Immigrants
- November 1, 1996 pp. 8

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by Tanya Broder - October 1996 pp. 20

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Food Stamp Waivers for 18-50 Year Olds with No Minor Dependents

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Special Issue: An Analysis of the Medicaid and Health-Related Provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996
by Sara Rosenbaum and Julie Darnell - Summer 1996 pp. 12

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TANF Provisions for Teen Parents

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Teenage Pregnancy Provisions in the Welfare Reform Bill
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TANF Provisions for Child Support

Family Law Issues and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996
by Paula Roberts - November 1996 pp. 38

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ABOUT THE CENTER

The Center on Hunger, Poverty and Nutrition Policy was established at Tufts University in 1990. Its purpose is to advance public policy choices which reduce hunger and poverty. The Center carries out policy research and analyses, and works with national, state, and local leaders to promote effective programs and to develop a greater understanding of policy alternatives.

Through **State Works**, a multi-year initiative, the Center builds capacity at the state level to promote beneficial programs and policies for children and their families. The Center serves as a key resources on issues such as *Family Income Security* (e.g. increasing asset development, welfare reform analyses), *Community Food Security* (e.g. expanding the Summer Food Program and Universal Free Breakfast), and *Nutrition Education and Communication* (e.g. nutrition education curriculum for parents, speaking points on nutrition/cognition).

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TRANSITIONING FROM WELFARE TO WORK

Many women leave welfare for work. However, they often encounter barriers that force them to return to welfare. A 1993 national study found that:

- 60% of women who left AFDC for work did so within a year after beginning to receive benefits

- 40% returned to welfare within one year

- 75% of the women who left welfare for work returned to the welfare system by the end of five years (1)

The main reasons for returning to welfare were lack of health care, a breakdown in child care, low wages, and temporary jobs. (1)

(1) California Policy Seminar, May 1995.

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BARRIERS TO EMPLOYMENT

Under the new welfare law, more than one million parents will be required to find employment nationwide. If this is to become a reality, states must be prepared to overcome several critical barriers to employment:

- Lack of Health Care Coverage
- Lack of Affordable Child Care
- Lack of Available and Reliable Child Care
- Lack of Education and Job Skills
- Lack of Jobs with Adequate Income

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HEALTH CARE COVERAGE

REALITIES

Some families turn to welfare as the only means to secure health care coverage.

- In a 1995 survey of New Hampshire AFDC recipients, nearly 60% reported that medical insurance was a reason for needing assistance (1)

- In Minnesota, the creation of the MinnesotaCare health care coverage plan for poor families reduced the AFDC caseload by 7% (2)

(1) Center for Law and Social Policy, July 2, 1996.
(2) Center for Law and Social Policy, July 2, 1996.

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HEALTH CARE COVERAGE

STATE CHOICES

Federal law requires that families leaving welfare (cash assistance) due to increased earnings continue to be eligible for Medicaid for 12 months if they have no other health care coverage. Some states are offering greater transitional assistance:

- In Vermont, Medicaid benefits are available for up to 36 months after termination of cash assistance if the family remains income eligible

- If an employer does not provide health insurance coverage for employees leaving welfare in Minnesota, Medicaid will continue for the family for 12 months, after which the family is eligible for MinnesotaCare for as long as its income remains below 275% of the poverty level

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CHILD CARE RESOURCES

REALITIES

For some welfare recipients, the cost of child care exceeds the amount provided to the parent in cash assistance, especially if there is an infant or more than one young child. The cost of child care also may constitute a substantial portion of what a parent can earn in a job paying at or slightly above minimum wage.

- Cost of providing child care for a child under 2 in a day care center averages 110% of the monthly welfare grant for a family of two, according to a study of welfare reform efforts in five states (1)

- It is estimated that for 40% of the welfare families in Wisconsin who will be subject to the new work requirements, child care costs could amount to more than half of their earnings at a wage of $6 per hour (2)

(1) The Urban Institute, September 1995.
(2) Institute for Research on Poverty, 1996.

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CHILD CARE RESOURCES

STATE CHOICES

To receive its full share of the Child Care Block Grant, a state must maintain its current investment in child care and provide additional matching funds. Some states have chosen to subsidize child care beyond the 12 months of transitional care required under AFDC:

- In Vermont, child care subsidies are provided on a sliding fee scale as long as a family leaving welfare qualifies and state funds are sufficient

- In Utah, child care is available indefinitely on a sliding fee scale for families whose cash benefits have ended due to earned income over the eligibility level

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EDUCATION AND JOB SKILLS

REALITIES

Welfare recipients typically have less formal education, less recent work experience, and fewer job skills than the currently employed. Their skill level often does not correspond with existing job opportunities.

- Nearly half of all adult AFDC recipients have not finished high school; slightly more than two-fifths have finished high school but have no further education; and fewer than one in 10 have any education beyond high school (1)

- Less-skilled men and women experience almost five times as much unemployment as college-educated men and women (2)

- Employment projections show that half of all jobs by the year 2000 will require some sort of a college degree (3)

(1) Center on Budget and Policy Priorities, March 1990.
(2) Center for Law and Social Policy, 1996.
(3) Howard Samuels State Management and Policy Center, September 1993.

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EDUCATION AND JOB SKILLS

STATE CHOICES

Under the new welfare law, more than one million parents will be required to find jobs. The law requires that 25% of all families receiving benefits be engaged in work activity in FY'97, increasing to 50% by the year 2002. Thus, states will need to invest in employment programs.

- If only one-quarter of New York City's adults who currently receive welfare go to work, the cost of child care and administering the employment and training program will be $950 million a year (2)

- It is estimated that to meet the increased work participation requirements in the new welfare law California will need to invest an additional $400 - 500 million in the year 2002 (1)

(1) Chicago Tribune, August 30, 1996.
(2) New York Times, August 13, 1996.

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JOBS WITH ADEQUATE INCOME

REALITIES

The availability of entry level jobs is critical, as these are the jobs frequently obtained by welfare recipients. Yet these jobs commonly are not steady or full-time and pay less than a livable wage. This makes it difficult for those seeking to move from welfare to work to become self-sufficient.

- In Milwaukee, 18,000 unemployed AFDC recipients are expected to move into the workforce joining 9,000 job seekers in an area where employers reported about 2,000 full-time job openings (1)

- In Illinois, there are four workers in need of entry-level jobs for every such job opening in the state; in Chicago, the ratio is six to one (2)

- In the early 1990's, only 19% of all available jobs in Minnesota required less than a year of training beyond high school and paid "livable wages"; the unemployed with little advance education outnumbered these jobs 31 to 1 (3)

(1) Employment and Training Institute, November 1995.
(2) Illinois Job Project, December 1995.
(3) JOBS NOW Coalition, October 1995.

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JOBS WITH ADEQUATE INCOME

STATE CHOICES

States can exempt up to 20% of families from a maximum 60 month lifetime limit for benefits under the federal block grant. Through waivers, some states have taken a different approach, recognizing the limitations to reaching full employment.

- Although Utah has a 36 month lifetime limit for receipt of benefits, months in which there has been at least 80 hours of earned income are excluded (2)

- In Massachusetts, recipients are subject to a 24 month limit, but can requalify after being off assistance for 36 months. <u>However</u>, a family is exempt from the time limit if it has a disabled child, the caretaker is disabled, or the family's youngest child is under age two. These exemptions constitute about 45% of the caseload. (1)

(1) Massachusetts Law Reform Institute, October 1996.
(2) Center on Hunger, Poverty and Nutrition Policy, September 1996.

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"Twenty Questions" To Ask About Your State Welfare Program

This is a guide to help assess whether state welfare programs developed under the Temporary Assistance for Needy Families Block Grant (TANF) are likely to increase or reduce the economic viability of poor families. Responses can be used to flag key areas which may harm or help families, as well as to make an overall assessment of a state's new welfare policy for poor families with children.

Policies that may harm families

Benefit Levels and Eligibility

Are TANF income eligibility criteria for poor families stricter than under AFDC?

Are benefit levels lower than under AFDC?

Are benefits lower for newly arrived state residents than for other recipients?

Do family benefit levels remain the same when an additional child is born?

Are current legal immigrants (arrived in this country before 8/22/96) ineligible for TANF benefits?

Is the state's match for the TANF Block Grant less than 100% of the state's FY '94 contribution for AFDC, JOBS program and Emergency Assistance?

Time-Limits

Is there a shorter lifetime limit for receipt of TANF benefits than the federal maximum of 60 months?

Does the state exempt fewer than the allowed 20% of the caseload from the 60 months lifetime limit for TANF benefits?

Is the state declining to use state funds to extend the 60 month limit for more than the 20% exempt cases (e.g. exclude all parents who are disabled or caretakers of disabled children)?

Sanctions

Is the state eliminating all or part of the cash grant if a parent fails to participate in required work activity with just cause (e.g. lack of child care or transportation)?

Is the state reducing the household Food Stamp allotment (up to 25%) for failure to participate in required work activity with just cause?

Policies that may help families increase economic security

Child Care Assistance

Is child care subsidized for those involved in a work activity under TANF?

Is child care at least partially subsidized for 12 months or more for those whose cash assistance has ended due to increased earnings?

Is the state's contribution as match for the Child Care Block Grant 100% of the previous year's state funding for child care (under Title IV A)?

Is the state meeting the necessary match to be eligible for the maximum additional federal child care funds under the new law?

Is the state opting to exempt single parents of children under age one from the work requirement, thereby saving the state's scarce child care resources for other families?

Incentives and Assistance in Obtaining Work

Are TANF recipients allowed to earn more income than under AFDC and still receive partial cash assistance as they transition to work?

Are asset allowances (e.g. value of vehicle, real estate, and business equipment) greater for TANF eligibility determination than under AFDC?

Does the subsidized work program provide more income through earnings and other employer contributions than the benefits it replaces, so additional expenses related to employment (e.g. transportation and clothing) are covered?

Is the state providing vocational education as a work activity for more than 12 months on a case-by-case basis?

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